

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00

INRE-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02 TRSE-00

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02

PA-02 PRS-01 USPS-01 CG-00 DOTE-00 AGR-10 /107 W

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O R 311224Z JUL 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 2370

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONGEN MILAN

AMCONGEN NAPLES

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EAGR, EAIR, ECON, EFIN, EGEN, EIND, ELTN, ETRD

EWWT, IT

SUBJ: ITALIAN ANTI-RECESSION PACKAGE PRESENTED TO PARLIAMENTARY
COMMITTEE

1. /USMMARY/. DEPUTY PRIME MINISTER LA MALFA AND TREASURY
MINISTER COLOMBO PRESENTED 3500 BILLION LIRE (\$5.4 BILLION)
ANTI-RECESSION PACKAGE TO JOINT SESSION OF TWO COMMITTEES
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OF CHAMBER OF DEPUTIES ON JULY 30. PACKAGE INCLUDES

MEASURES DEALING WITH EXPORT CREDIT, HOUSING, HOSPITAL CONSTRUCTION, PORTS, AIRPORTS, URBAN TRANSPORT, MERCHANT MARINE, SMALL AND MEDIUM SIZED INDUSTRY, AGRICULTURE AND SOUTHERN DEVELOPMENT. CABINET IS EXPECTED FORMALLY TO APPROVE PACKAGE IN NEXT FEW DAYS. PART OF MEASURES CAN BE PUT INTO EFFECT BY EXECUTIVE ACTION BUT PART WILL REQUIRE PARLIAMENTARY APPROVAL. USE OF DECREE LAWS GOING INTO EFFECT IMMEDIATELY BUT REQUIRING RATIFICATION IN 60 DAYS SEEMS LIKELY FOR SOME OF LATTER MEASURES.

/END SUMMARY/.

2. /EXPORT CREDIT/ CELINN ON EXPORT CREDIT INSURANCE FOR 1975 AND 1976 WILL BE RAISED FROM PRESENT 1975 LEVEL OF 1400 BILLION LIRE TO 2500 BILLION LIRE (\$3.8 BILLION AT \$1 EQUALS 650 LIRE). AUTHORITY IS GRANTED FOR ADDITIONAL EXPORT CREDIT INSURANCE OUTSIDE CEILING (ABOUT 1022 BILLION LIRE) FOR 1974 OPERATIONS FOR WHICH APPLICATIONS WERE MADE BUT COVERAGE NOT YET GRANTED. CAPITAL ENDOWMENT FUND OF MEDIO CREDITO WILL BE INCREASED BY 100 BILLION LIRE PER YEAR IN 1975, 1976, AND 1977. MEASURES WILL ALSO BE TAKEN TO REDUCE COST OF SHORT-TERM EXPORT CREDIT.

3. /RESIDENTIAL HOUSING/ IN LARGE CITIES WILL RECEIVE ADDITIONAL APPROPRIATION OF 600 BILLION LIRE (UNDER LAW 166) TO BE DIVIDED AMONG REGIONS FOR PROJECTS WHICH ARE ALREADY SCHEDULED. ADDITIONAL 40 BILLION LIRE WILL BE MADE AVAILABLE FOR PUBLICITY ASSISTED HOUSING UNDER LAW 166.

4. /HOSPITAL CONSTRUCTION/ FUND OF 600 BILLION LIRE WILL BE SET UP WITH POSTAL SAVINGS FUND, WITH 200 BILLION LIRE ALLOCATED PER YEAR TO THE REGIONS, IN PERIOD 1975-77. FUND IS TO BE USED FOR COMPLETION OF PROJECTS ALREADY UNDERWAY.

5. /PORTS/ WILL RECEIVE 50 BILLION LIRE TO BE USED ON WORK TO BE COMPLETED WITHIN NEXT 2-3 MONTHS.

6. /AIRPORTS/ IN MAJOR CITIES WILL RECEIVE 100 BILLION LIRE IN 1975 AND 61 BILLION LIRE IN 1976.

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6. /TRANSPORT/ IN FORM OF SUBWAYS WILL BENEFIT FROM 10 BILLION ALLOCATION PER YEAR UNDER LAW 1032, RAISING ANNUAL ALLOCATION UNDER 30-YEAR PLAN TO 22 BILLION LIRE. FUND OF 30 BILLION LIRE PER YEAR FOR FIVE YEARS WILL BE CREATED WITH POSTAL SAVINGS FUND TO SUBSIDIZE BY 30 PERCENT PURCHASE OF BUSES FOR TRANSPORTATION WITHIN THE REGIONS.

7. /MERCHANT MARINE/ INVESTMENT LIMIT UNDER EXISTING LAW
878 WILL BE RAISED BY 20 BILLION LIRE.

8. /AID TO SMALL AND MEDIUM INDUSTRY/ WILL BENEFIT FROM
90 BILLION LIRE ALLOCATION TO BE USED DURING 1976 AND 1977
UNDER EXISTING LAW 623.

9. /AGRICULTURE/ IS TO RECEIVE ASSISTANCE IN VARIOUS FORMS:
(A) 60 BILLION LIRE IN 1975 IN CAPITAL GRANTS AND INTEREST
SUBSIDIES FOR PROJECTS FINANCED BY EC AGRICULTURAL FUND
(FEOGA) LOANS, (B) 100 BILLION LIRE FOR THE REVOLVING FUND
FOR AGRICULTURAL MECHANIZATION, (C) 30 BILLION LIRE FOR
THE AGRICULTURAL RECLAMATION FUND, (D) 260 BILLION LIRE
FOR IRRIGATION PROJECTS WHICH ARE NOW READY FOR IMPLEMENTATION,
(E) 200 BILLION LIRE FOR LIVESTOCK DEVELOPMENT REVOLVING FUND
IN ANTICIPATION OF LIVESTOCK PLAN SCHEDULED TO BEGIN IN 1976.

10. /SOUTHERN DEVELOPMENT/ (CASSA PER IL MEZZOGIORNO) WOULD
RECEIVE 1000 BILLION LIRE ADVANCE ALLOCATION AGAINST
ANTICIPATED 5-YEAR PLAN FOR REFINANCING OF CASSA. IN ADDITION
CASSA WOULD RECEIVE 100 BILLION LIRE FOR WORK FOR
WHICH BIDS WILL ALREADY HAVE BEEN ACCEPTED BY DECEMBER 31, 1975.

11. IN DISCUSSING PACKAGE LA MALFA STRESSED THAT PACKAGE
OF ANTI-RECESSION MEASURES WOULD HAVE TO BE FOLLOWED BY A
LONGER TERM PLAN OF REFORM AND DEVELOPMENT OF ENTIRE PRODUCTIVE
STRUCTURE. COLOMBO MENTIONED DISEQUILIBRIUM IN
DEBT/CAPITAL RATION OF ITALIAN BUSINESS AND PROMISED THAT
ATTENTION WILL BE GIVEN SUBSEQUENTLY TO TAX AND FINANCIAL
MEASURES TO CORRECT THIS PROBLEM. COLOMBO ALSO CAUTIONED THAT
CASH DEFICIT OF TREASURY IN 1976 MUST NOT EXCEED 10,000
BILLION LIRE, IN ORDER TO BE COMPATIBLE WITH
ASSUMPTIONS OF 3 PERCENT REAL GROWTH IN GDP, PRICE INCREASE
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OF 12.5 PERCENT AND DEFICIT ON CURRENT ACCOUNT IN BALANCE OF
PAYMENTS OF 1000 BILLION LIRE.

12. /COMMENT/. UNEXPECTED DROP IN INDUSTRIAL PRODUCTION INDEX
IN MAY OF 18.6 PERCENT FOLLOWING ABOUT 6 MONTHS OF
STABILITY, PLUS EFFORTS OF CURRENT MORO GOVERNMENT TO DEMONSTRATE
THAT IT IS CAPABLE OF DEALING WITH IMMEDIATE PROBLEM OF ECONOMIC
RECESSION, ARE MAJOR REASONS FOR
PRESENT PUSH TO ADOPT PACKAGE OF ECONOMIC RECOVERY
MEASURES. PREVIOUSLY, GOI SEEMED MORE INCLINED TO DEPEND ON
RELAXATION OF MONETARY POLICY ON RECOVERY IN MAJOR
EXPORT MARKETS TO PROVIDE STIMULUS TO EXPORT-LEAD REVIVAL,
REFLECTING CONTINUING INFLATIONARY PROBLEM AND DOUBTS
ABOUT PERSISTENCE OF IMPROVEMENT IN FOREIGN ACCOUNTS WHEN
RECOVERY BEGINS. CABINET APPROVAL OF PACKAGE IS EXPECTED

IN NEXT FEW DAYS, POSSIBLY ON AUGUST 5.VOLPE

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